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RUEHLC/AMEMBASSY LIBREVILLE 0968  
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SUBJECT: CHAD'S OIL REVENUE OVERSIGHT BODY OVERSHADOWED BY  
REGULAR BUDGET

REF: O6 NDJAMENA 1301

¶1. (SBU) Summary: Chad's oil revenue management body (College de Control Pour le Surveillance de Ressources Petroliere - CCSRP) is expected to oversee some USD 204 million in oil royalties and fees in 2007. According to CCSRP President Abdoulaye Lamana, half of this amount will go for government salaries and other recurring expenditures; the remainder will go to investments in the priority sectors (health, education, etc). Lamana acknowledged that the government's regular investment budget, flush with tax revenues, far outstrips the CCSRP's budget and the CCSRP's role in oversight (if any) is unclear. He also commented that in the current environment, security-related purchases could be expected to be a priority for funding from the government's regular budget. Lamana regretted the sudden departure of the U.S. funded Adviser and expressed appreciation for U.S. technical assistance. End summary.

¶2. (SBU) The Ambassador met February 15 with Abdoulaye Lamana, President of the CCSRP to discuss the College's activities and prospects for 2007. Lamana noted that the College was still waiting for the 2007 project proposals: he was unhappy that the priority Ministries were not able to do more work in advance to prepare projects. In any event, since proposals were not expected before March or April, College members were using the time to visit ongoing projects in the field.

#### OIL COLLEGE ACTIVITIES FOR 2007

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¶3. (SBU) Lamana stated that College would oversee some 102 billion CFA worth of projects in 2007 (about USD 204 million). Of this, 52 billion CFA (about USD 104 million) would be used for investment in priority sectors; the remainder would be used to pay for government salaries and subsidies to government parastatals (cotton, electricity). Lamana noted that this was similar to the payment split in 2005 and 2006. He admitted that this was far from ideal: the government should be funding recurring expenditures such as civil servant payroll from its own regular budget.

#### OIL COLLEGE ROLE IN LARGER INVESTMENT PICTURE

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¶4. (SBU) Lamana pointed out that the Government's 2007 investment budget was in fact much larger than that of the College. Taken altogether, the government was programming some 200 billion CFA (about USD 400 million) for investment in 2007. The role of the College was not clear vis a vis these other funds. It was true that the College had not been given explicit oversight in the Government's July 2006 agreement with the World Bank (which stipulated that 70 percent of all resources would be used for poverty eradication); on the other hand, Lamana explained that discussions were still ongoing as to whether the College might have some role in overseeing dividends and other resources from a proposed Stabilization Fund.

¶5. (SBU) Lamana acknowledged that the World Bank had in fact queried the College as to whether it was able to take on additional oversight responsibility; Lamana responded that the whole chain of project preparation and execution needed to be asked that very question. He felt that the priority Ministries were not well prepared to take on the additional investment, and needed to accelerate their work. In fact, the need to speed up the "clearance process" by which projects made their way through various Ministries (and the Presidency) was an issue which the College had raised with President Deby in a meeting earlier in the month. In particular, Lamana pointed to the fact that the Minister of Finance could only approve projects up to about USD 400,000; the Prime Minister projects up to USD 1 million, but any project over that amount needed to be approved by the Presidency (which slowed things down considerably.) Lamana reported that the President had agreed that project approval needed to be accelerated and had agreed to look into the matter.

#### MILITARY SPENDING

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¶6. (SBU) Asked by the Ambassador whether it was possible to manage a budget as stipulated in the World Bank accords given the pressure on spending created by the security situation, Lamana commented ironically that, since independence, "most of the budget had gone to military spending." He recalled that during his tenure as Prime Minister under the regime of President Tombalbaye, he had questioned using half of the government budget for the military. Tombalbaye's response had been: "If the military needs it - they get it." Noting that College resources went through a controlled system, but that indirect revenues could not be similarly monitored, Lamana warned that so long as the situation in Darfur was not resolved and Sudanese aggression against Chad continued, "all of the resources will go to the Army."

#### LAMANA COMMENTS ON U.S. ASSISTANCE

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¶7. (SBU) Concerning the College's own technical capacity, Lamana informed the Ambassador that they expected staff reinforcement in 2007, as well as some material improvements in their premises. He regretted the abrupt departure of the U.S. Treasury Adviser and noted that the College had received no formal communication from the U.S. Government concerning her departure or on her expected return. He expressed appreciation for U.S. technical assistance to the College since the College's inception.

#### THOUGHTS ON BREAKING THE POLITICAL IMPASSE

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¶8. (SBU) Turning to the political situation, Lamana suggested that a two stage process was needed: first, the government needed to talk to the opposition parties and persuade them to participate in the upcoming elections; once a new government with broader legislative representation was in place (which included the traditional opposition), talks with the armed opposition should take place. Taking this step first would enable the government to negotiate from a much stronger position; currently, the government's lack of

political support from opposition groups empowers the Chadian rebellion.

COMMENT:

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19. (SBU) Two and a half years of experience in managing oil royalty revenues has given College president Lamana good insight into the impediments (structural and political) to effective use of oil revenues for poverty reduction projects. As a member of the President's "Wisemans Group" he is also well-placed to understand the depths of the political crisis in Chad. Lamana's resignation would appear to reflect the recognition that, while the College has not been sidelined, it is clearly overshadowed by the Government's larger (and less tightly controlled) investment budget and not immune from the regime's more pressing security needs. Wall